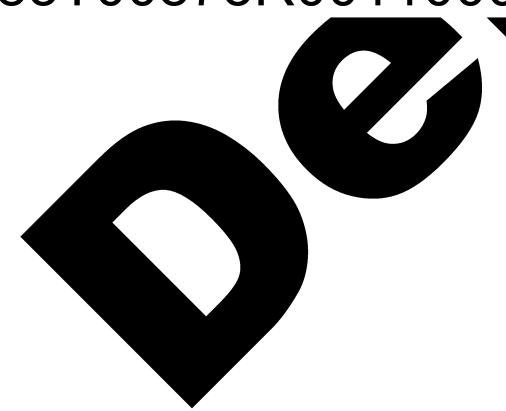
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# Developments in Indochina



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State Dept. review completed

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#### DEVELOPMENTS IN INDOCHINA

Page

Fighting is light throughout the country, although there is some action in the delta near the Cambodian border.

Most South Vietnamese commanders believe that the relative quiet is the lull before the storm.

President Thieu's trip abroad is considered a success.

NORTH VIETNAM

SOUTH VIETNAM

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Hanoi is making some progress in reconstruction. One gauge of the level of industrial recovery—the electric power industry—has probably been restored to about 50 percent of pre-war capacity.

CAMBODIA 5

Prices continue to climb in Phnom Penh and so does the money supply. There is enough petroleum for immediate needs and rice supplies are probably adequate for several weeks.

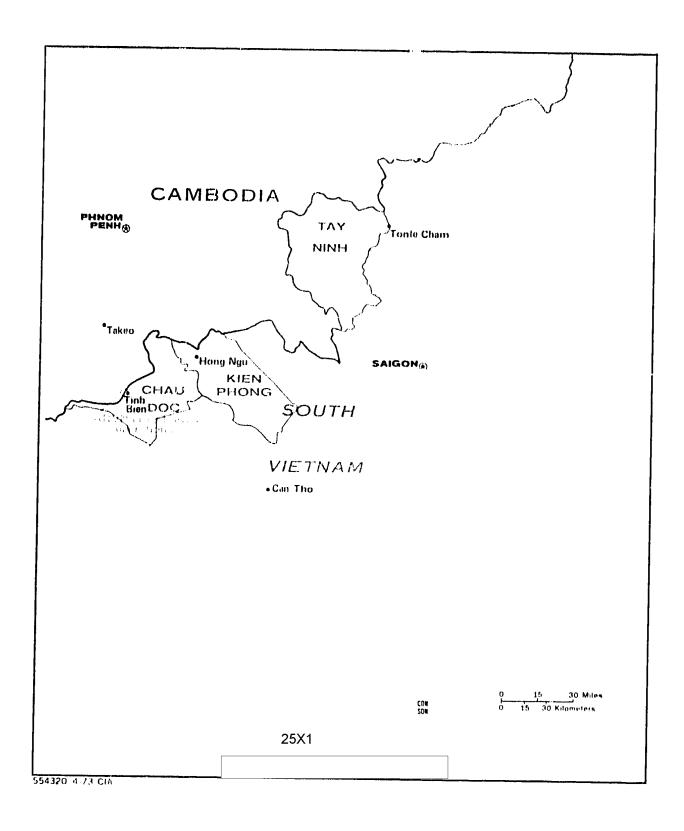
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### SOUTH VIETNAM

Fighting in South Vietnam has declined to the lowest level since the start of the cease-fire. Many South Vietnamese commanders remain convinced that the current inactivity is the lull before the storm and that the Communists will launch heavier attacks country-wide within the next few weeks.

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Most of the actual fighting is occurring in the southern half of the country. Communist pressure continued against the Tonle Cham ranger camp in northern Tay Ninh Province, although both sides may be edging closer to a truce agreement. The Communists used loud-speakers to urge a conference with the camp's commander, but Saigon refused to allow anyone but the corps commander to speak with the Communists. At mid-week, however, there were reports that General Minh, the government's senior commander for that sector, had indicated a willingness to let his subordinates contact the Viet Cong.

Fighting was heaviest in the delta. Communist units in the vicinity of the border checkpoint at Hong Ngu, in northern Kien Phong Province, occupied most of the territory around the town,

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Government units farther south in Chau Doc Province crossed into Cambodia in an effort to relieve Communist pressure on Cambodian units and to discourage additional Viet Cong units from entering the delta.

Government military officials in the delta believe that Communist pressure on border areas is designed to secure additional infiltration routes, and that it will continue. They also anticipate that the Communists will soon use their growing strength to challenge the government's presence in the countryside more forcefully.

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## Thieu's Travels Help his Image

President Thieu appears to have improved his image at home and abroad through his two week trip to the US and several European and Asian capitals. He returned to Saigon last weekend and told the nation that

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President Nixon had assured him that the US fully supports South Vietnam's position in the anti-Communist struggle and the cease-fire, and will provide substantial economic aid for the postwar period. Thieu reportedly indicated to South Vietnamese diplomats in Europe that he thought his US visit had gone well and that the climate of American opinion concerning South Vietnam had improved.

Thieu seems to believe that he needs a firm

show of US support to quiet some of his domestic

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opponents.

The presidential journey already has received a considerable amount of favorable publicity in the Saigon press. Virtually all papers have commented that Thieu successfully carried out a vital mission.

On his way home, Thieu met with the Pope and consulted with government leaders in Italy, Britain, West Germany, South Korea, and Taiwan. He was warmly received in the two Asian capitals, but got a cooler reception in Europe, where there were a number of demonstrations against his visit. Several European leaders, however, subsequently indicated to US officials that Thieu had favorably impressed them. The President also received promises of economic aid from some of his hosts.

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### NORTH VIETNAM

The North Vietnamese have made significant progress in reconstructing damaged industrial installations over the past three months, but full recovery is a long way off. The Communist press is claiming that some production started shortly after equipment was brought out of storage and that some plants are already fulfilling planned quotas. These claims are grossly exaggerated. The Communists fail to acknowledge that the plants are still operating under the same makeshift schedules used during the bombing. Before industrial production can be fully reoriented to peace-time output, the North Vietnamese will have to redirect the transportation sector to meet the demands of industrial relocations. They will also have to reassign labor from wartime duties.

There are, however, clear signs that limited production has resumed at a number of plants, even though the over-all level of industrial output is not known. One rough gauge of the extent of industrial recovery is the status of electrical power plants. The North Vietnamese press claims that electric power supply now equals approximately 75 percent of the pre-bombing capacity. A more reasonable figure would be on the order of 50 percent, since many of the large power plants were heavily damaged and will require several years of reconstruction. Major manufacturing facilities that were badly damaged by the bombing will need extensive rebuilding before they reach normal production capacities.

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### CAMBODIA

### The Economy

The Cambodian economy has continued its downward spiral over the past several months and is now at its lowest point since the war began. Economic indicators testify to this deterioration. The Phnom Penh price index increased by four percent in January and by six percent in February. Inflation is at an annual rate of some 80 percent. Much of the upward pressure on prices was due to supply problems, but monetary factors also played a role. Money supply increased by about 50 percent in 1972, and the rate has probably not slackened during the first quarter It may even have increased, since higher of 1973. government expenditures -- largely for military and civilian personnel costs -- have not as yet been matched by increased revenues.

Phnom Penh's petroleum situation continues to be precarious. Between 20 March and 7 April no Mekong River supply convoys made it to Phnom Penh from South Vietnam. On 8 April five ships--including two tankers--did reach Phnom Penh under US air cover. Between 9 and 15 April five additional tankers arrived. The city now has enough fuel to supply about three weeks of electrical power and about a week's reserve of gasoline--on a rationed basis. The frequency of future convoys remains uncertain, as some ship owners are increasingly reluctant to send their vessels on the hazardous run up the Mekong.

Although Phnom Penh food supplies are still adequate, a strong surge in rice buying during recent weeks--with no significant additions to stocks because of transportation problems--may lead to another critical shortage in a few months. Daily rice purchasing, about 600 tons, is one third above normal. As of 11 April stocks could sustain this high level

of consumption for only about six weeks. An additional six-week's supply is scheduled to arrive at Kompong Som before 2/ April, but this rice will have to be moved by truck convoy over Route 4, which remains subject to Communist interdiction.

These economic troubles for the most part fit in a larger picture of economic difficulty that has prevailed even before the war began. In addition to security problems, a lack of strong government leadership and economic expertise have precluded economic reforms. When the government tried to implement some long overdue reforms earlier this year, it was forced to soften them considerably because of public reaction.

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